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UNCLAS HARARE 002246

SIPDIS

SENSITIVE

STATE FOR AF/S  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR 2037 DIEMOND  
PASS USTR ROSA WHITAKER  
TREASURY FOR ED BARBER AND C WILKINSON  
USAID FOR MARJORIE COPSON

E. O. 12958: N/A  
TAGS: [ECON](#) [EPET](#) [EFIN](#) [ETRD](#) [ZI](#)  
SUBJECT: ZIMBABWE'S FOREX/FUEL QUANDARY

REF: HARARE 2102

Sensitive but unclassified. Protect accordingly.

1. (U) Summary: Zimbabwe's fuel shortage has worsened. Each new Libyan demand for foreign exchange sets off an eleventh hour crisis, as the GoZ seeks to wean hard currency from a rapidly shrinking economy. End Summary.

#### Scapegoating Suppliers

2. (SBU) In a new twist since our last report (ref), the GoZ has sought to deflect attention from the forex squeeze by lashing out at both parastatal NOCZIM and private oil companies. With angry commuters stranded last Thursday, Energy Ministry officials insisted publicly that downstream operators were hoarding fuel. In calmer moments, GoZ technocrats dismissed these charges for us, acknowledging that the GoZ had once again fallen short of forex.

3. (SBU) Lines at the pumps disappeared abruptly over the weekend. An end to the shortage? On the contrary, an oil executive told us the Energy Ministry had ordered him to service only retail customers, leaving commercial clients in a lurch. Normally, the firms sells 60 percent of its fuel on commercial markets. He believed other downstreamers received similar instructions.

#### Comment

4. (U) On one hand, the GoZ's behavior is unremarkable. It invoked an implausible fable about hoarded reserves, falling back on its habitual bias against free markets. Then it diverted fuel from Zimbabwe's productive sector, a certain recipe for national impoverishment, but not surprising from a government that has frittered away one-third of its GDP.

5. (U) On the other hand, the GoZ betrayed a perceptible touchiness over long gas lines, perhaps fearing the consequences and fall-out of a prolonged shortage. If it wants to avert this recurring nightmare, the GoZ may one day have to reconcile policy with stubborn macroeconomic facts, namely that a) it lacks fuel because it lacks forex and b) it would ultimately raise forex by devaluing its currency and shoring up exports. Not an option the government of Robert Mugabe would relish, but possibly more attractive than a nationwide standstill.

Sullivan